First Semester M.B.A. (Distance Mode) Degree Examination,
June/ July 2009
(New Scheme)
M.B.A. DP : 106 : Managerial Economics

Time : 3 Hours Max. Marks : 80

Section - A

Answer the following sub-questions in two or three sentences each. Each one carries two marks. **(2x5=10)**

1. a. Distinguish between micro and macro economics.
   b. Define variable cost.
   c. Distinguish between 'Economic Cost' and 'Accounting Cost'.
   d. What is mark up pricing?
   e. Suppose the price elasticity of demand for text books is 1.5 and the price of the text books increases by 10% by how much does the quantity demand fall?

Section - B

Answer any FIVE of the following questions. Each one carries SEVEN marks **(5x7=35)**

2. Discuss Baumol's theory of sales revenue maximization.
3. State the law of demand and explain the exceptions to the law of demand.
4. Distinguish between sunk cost, shut down cost and abandonment cost.
5. What is oligopoly? Explain the characteristics of oligopoly.
6. Explain the important steps involved in the simplex method of linear programming problem.
7. A garment shop conducted a study of demand for men's ties. It is found that the average daily demand (D) for a particular type of ties, in terms of price (P) is given by the equation D= 300- 2P
   i) How may ties per day can the shop expect to sell at the price of Rs 130 per tie.
   ii) If the shop wants to sell 50 ties per day, what price should it charge?

Section - C

Answer the following questions. Q.No. 8 and 9 carry 10 marks each and Q.no. 10 carries 15 marks. **(10+10+15=35)**

8. a) Explain the meaning and nature of managerial economics.

OR

   b) What is demand forecasting? Explain the trend projection method of demand forecasting.

9. a) Define 'Isoquant' and 'Iso-cost' curve. Explain their managerial application.

OR

b) Explain the price and output determination under oligopoly market.

10. A manufactures sells his product at Rs 5 each variable cost is Rs 2 per unit and the fixed cost amount to Rs 60,000. Given this data calculate.

i) The break even point.

ii) What would be the profit, if the firm sells 30,000 units.

iii) What would be the BEP if the firm spends Rs 3000 in advertisement?

iv) How much should the manufacturers sell to make a profit of Rs. 30,000 after spending Rs 3000 on advertisement.

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